

# INDUSTRY CIRCULAR

OFFICE OF THE COMMISSIONER OF INTERNAL REVENUE  
ALCOHOL AND TOBACCO TAX DIVISION

WASHINGTON 25, D. C.

Industry Circular No. 59-50

July 16, 1959

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## AMENDMENT OF 26 CFR PART 240

Proprietors of bonded wine cellars  
and others concerned:

Purpose. This circular is to inform you of Treasury Decision 6395, amending 26 CFR Part 240, wine regulations, published in the Federal Register of July 9, 1959. The amendments were made effective as of July 1, 1959.

Amendments. The amendments are briefly described below:

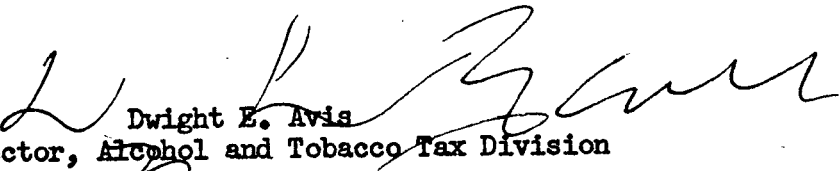
1. Combined operations bond. Section 240.221 has been amended and section 240.221a has been added to conform the regulations to the provisions of section 5173(e)(2), I.R.C., regarding the filing of a combined operations bond on and after July 1, 1959. Where a bonded wine cellar and an adjacent distilled spirits plant (for example a fruit distillery) qualified for the production of distilled spirits are operated by the same proprietor, a combined operations bond, Form 2601, must be filed in accordance with the applicable provisions of 26 CFR Part 201.
2. Payment of special occupational taxes. Subpart N has been amended to implement section 5142, I.R.C., which requires the payment of special taxes on or before the first day of July in each year or before commencing any trade or business on which such tax is imposed. Provision also is made in sections 240.341 and 240.342a for exempting a proprietor of a bonded wine cellar from wholesale dealer special tax under section 5113(a) I.R.C.
3. Unmerchantable wine returned to bond. Subpart OO has been revised in its entirety. Provisions are made for claims for allowance of credit of tax and claims for refund of tax on unmerchantable domestic still wine as well as unmerchantable effervescent wine returned to bond.
4. Use of carbon dioxide. Sections 240.531 through 240.535 have been added to provide for the addition to (or retention in) still wines of small quantities of carbon dioxide not in excess of 0.256 gram of carbon dioxide per 100 milliliters of wine. However, a tolerance not to exceed 0.009 gram of carbon dioxide per 100 milliliters of wine will be allowed where the proprietor shows to the satisfaction of the assistant regional commissioner that the amount of carbon dioxide in excess of 0.256 gram per 100 milliliters of wine was due to mechanical variations which could not be completely controlled under good commercial practices.

5. Own production. The regulations have been amended to permit wines originally fermented or otherwise produced at affiliated bonded wine cellars located within the same State to be treated as "own production" by such bonded wine cellars. Provision has been made in section 240.371 for the transfer of wine in bond in reserve inventory to affiliated bonded wine cellars located within the same State, for the purposes of further sweetening or the addition of wine spirits, or both. Where wine in reserve inventory is transferred in bond, the sugar credits (if any as shown on Form 2055) should be transferred. The sugar credits transferred and date of transfer must be shown on the reverse side of the Form 703 covering the transfer. The form will be revised the next time it is reprinted.

6. Adjustment of sugar deficiency. Section 240.407 has been amended to provide for natural fruit wine (other than grape) to be adjusted with pure dry sugar to 25 degrees Brix prior to or during fermentation. Also, where it is desired to so adjust the total solids content (to 25 degrees Brix) and to reduce the natural fixed acid content of the juice, the operations may be combined and the pure dry sugar for adjustment of the total solids content may be mixed with the ameliorating material.

7. Liquid sugar and invert sugar syrup. The regulations have been amended to permit the use of liquid sugar and invert sugar syrup for the purpose of reducing the natural fixed acid content of the juice or wine.

Inquiries. Inquiries in regard to this industry circular should refer to the number thereof and should be addressed to the office of your assistant regional commissioner (alcohol and tobacco tax).

  
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